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New York Chamber of
Commerce

Report of the Committee...
on the following measures...

New York

1902

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Report of the committee on finance and
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A bill to maintain the legal tender silver dollar
at parity with gold ... 2nd, A joint resolution
to designate governmental depositories ...
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REPORT OF THE COMMITTEE
ON
FINANCE AND CURRENCY
OF THE
CHAMBER OF COMMERCE
OF THE
STATE OF NEW-YORK,
ON THE

FOLLOWING MEASURES PENDING IN CONGRESS:

- 1ST. A BILL TO MAINTAIN THE LEGAL-TENDER SILVER DOLLAR AT PARITY WITH GOLD, AND TO INCREASE THE SUBSIDIARY SILVER COINAGE.
- 2D. A JOINT RESOLUTION TO DESIGNATE GOVERNMENTAL DEPOSITORIES.
- 3D. A BILL TO DESIGNATE GOVERNMENTAL DEPOSITORIES FOR SURPLUS FUNDS OF THE UNITED STATES TREASURY.

ADOPTED BY THE CHAMBER, MARCH 6TH, 1902.

NEW-YORK:
PRESS OF THE CHAMBER OF COMMERCE.

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NEW-YORK:
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REPORT.

To the Chamber of Commerce:

At the last meeting of the Chamber there were referred to the Committee on Finance and Currency the following bills for their consideration and report:

(1.) A Bill reported from the Committee on Coinage, Weights and Measures in the House, called "A Bill to maintain the legal-tender silver dollar at parity with gold, and to increase the subsidiary silver coinage," as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized to coin the silver bullion in the Treasury, purchased under the Act of July fourteenth, eighteen hundred and ninety, into such denominations of subsidiary silver coin as he may deem necessary to meet public requirements, and thereafter, as public necessities may demand, to recoin silver dollars into subsidiary coin; and so much of any act as fixes a limit to the aggregate of subsidiary silver coin outstanding, and so much of any act as directs the coinage of any portion of the bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, into standard silver dollars, is hereby repealed.

"The Secretary of the Treasury is hereby directed to maintain at all times at parity with gold the legal-tender silver dollars remaining outstanding; and to that end he is hereby directed to exchange gold for legal tender silver dollars when presented to the Treasury in the sum of five dollars or any multiple thereof; and all provisions of law for the use or maintenance of the reserve fund in the Treasury relating to United States notes are, in the discretion of

the Secretary of the Treasury, hereby made applicable to the exchange of legal tender silver dollars."

(2.) Also a Joint Resolution, introduced in the House by Representatives by Representative SULZER, under date of January 8th, 1902, as follows :

"Joint Resolution to designate governmental depositories.

"Whereas, Absorption of money by the United States Treasury is detrimental to the business interests of the country ; therefore, be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be and he is hereby directed to deposit all surplus funds belonging to the United States Government with national banks having a capital of not less than five hundred thousand dollars and a surplus of not less than five hundred thousand dollars.

"That such deposits be made without requiring United States Government bonds as security ; that on such deposits the United States Treasury receive interest at the rate of two per centum per annum, and that such deposits shall be a first lien on the assets of the bank.

"No deposit in any one bank shall be greater than the combined capital and surplus of such bank."

(3.) Also a Bill introduced in the House of Representatives on February 5th, 1902, by Representative PUGSLEY, and designated

"A Bill to designate governmental depositories for surplus funds of the United States Treasury.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be and is hereby directed to deposit with national banks having a capital of not less than one hundred thousand dollars and a surplus and undivided profits of not less than one hundred thousand dollars, such portion of the surplus funds, in excess of fifty million dollars, as may, from time to time, be in the United States Treasury, as in his discretion may seem proper, to prevent the absorption of money in the said Treasury.

SEC. 2. That such deposits may be made without requiring United States bonds as security, and shall not exceed to any one bank fifty per centum of the combined capital and surplus and undivided profits of said bank ; and the said Secretary shall have power to recall and demand payment of such deposits at his discretion, and to enforce such demands.

"SEC. 3. That interest on such deposits, unless United States bonds shall be deposited as security, shall be paid to the United States Treasury at such times and at such rates of interest as shall be fixed by the said Secretary, but at no time shall the rate of interest be less than two per centum per annum on the amount or amounts so deposited.

"SEC. 4. That all deposits with national banks, made by the Secretary as herein provided, shall be a first lien upon the assets of the banks receiving such public moneys, unless United States bonds shall be deposited as security.

"SEC. 5. That national banks now designated as depositories, and having on deposit with the Treasury of the United States bonds as security, shall not be affected by this Act : *Provided, however,* that such banks, now designated as depositories, which have a capital of not less than one hundred thousand dollars and a surplus and undivided profits of not less than one hundred thousand dollars, may, if they so elect, be brought within the provisions of this Act upon proper application to the Secretary of the Treasury."

They now beg to report as follows :

The Bill reported to the House of Representatives by the Committee on Coinage, Weights and Measures, is accompanied by a report from the majority of that Committee so full, exhaustive, and, in the judgment of your Committee, so convincing in favor of the proposed legislation, that little remains to be added in the way of argument.

It is a fact that Congress, on March 14th, 1900, did declare for the gold standard in the United States, and made the dollar, consisting of 25.8 grains of gold, nine-tenths fine, the standard unit of value. It is true that it did not, aside from providing for the redemption of United States notes in gold, prescribe any method by which such parity should be maintained ; and it is true that the purpose of this legislation is to remedy that defect.

From the report made it is evident that there is need for an increase in the volume of subsidiary coin in circulation to meet the needs of commerce, and, in the judgment of your Committee, no wiser use can be made of the stock of bullion on hand than to turn it into subsidiary coinage as needed, giving the Secretary of the Treasury a free hand in reducing from time to time the volume of silver certificates or silver dollars now in circulation or lying idle in the vaults of the Treasury.

It seems to your Committee that it is the part of good judgment and wise procedure, having on hand a large and burdensome stock of silver bullion, to utilize it in such forms as will keep it in circulation either in coin or small bills represented by bullion deposited, for in this way, at least, it can be made of some use, and, through small coinage, the risk of its return to the Treasury in volume at unseasonable and perilous periods is largely reduced. The rapid growth of the country in trade and population will enable it to absorb and keep in circulation a much larger *per capita* volume of silver coinage than now exists, while the enormous increase in our stock of gold, which will probably continue will be adding an ample gold reserve to offset the issue of silver coinage.

But the vital essence of the bill in question is to make the legal-tender silver dollars remaining outstanding exchangeable at all times into gold when presented in sums of five dollars or multiples thereof. If the Act of March 14th, 1900, really means what it says, that the standard dollar of issue shall be the gold dollar, then every dollar issued other than gold should be exchangeable into gold, for the maintenance of parity, as the Committee truly say, "is not only a moral obligation resting upon the nation, but it is one which the Government cannot evade, for, whether exchangeable or not, they must be accepted by the Treasury for all Government dues in lieu of gold."

The minority report of the Congressional Committee on this bill give as one reason why this legislation should not be enacted that it will put upon the one hundred and fifty millions of dollars of gold held in reserve to maintain the gold standard the additional strain of redeeming silver certificates in gold, and that this strain will be too heavy, and, in consequence, a continuance of gold payments at all times might be imperilled. By this course of argument they practically admit that a danger exists, and the fear which they express would, in our judgment, under existing conditions, create a similar fear in the minds of the public when the strain comes upon the Treasury to maintain gold payments, which

fear, if it exists, will only intensify the danger of financial disaster to the country. Remove the fear and the danger ceases to exist. "The way to resume is to resume" was once said by a distinguished Secretary of the Treasury. The way to maintain a gold standard and gold payments at all times is to declare openly and frankly that every dollar of circulation issued by the Government shall, at the will of the holder, be redeemable at all times into a gold dollar. If this is done, the danger ceases, and the credit of the nation, at one bound, is placed on a parity in strength with that of the most favored nations of the earth; and not until this nation has so declared itself will its credit so rank in the judgment of the civilized world.

For the government of no civilized nation can permanently enjoy the best of credit when it issues over five hundred millions of currency for circulation based upon a metal not the standard unit of value, compels the people to accept such issues at their face value in gold, and refuses to commit itself to a pledge to pay gold for such issues when payment is demanded by the holder thereof. They may think their credit is of the best, but their own people will not so regard it, and the world at large will not so regard it. When the strain is put upon the system, when gold is needed and silver certificates in large volume pour into the Treasury of the nation, while gold is being hoarded, then confidence grows weak, and the system becomes a rope of sand.

In our judgment nothing now prevents silver dollars from going to a discount except the abiding faith of the people that the Government will, at all times, keep them worth their face value in gold; and, if it is the intention of the Government to do this, (as is undoubtedly the case,) then why should not the Government prove their intention by their act, and, by declaring silver dollars exchangeable into gold at the will of the holder, forever end all doubt, even if the strain upon the gold reserve proves to be too great and a larger reserve is needed. Even now, if the strain does come, (and come it will,) gold must be bought to maintain the parity, or the parity will cease to exist.

The members of this Chamber have repeatedly declared themselves in favor of the gold standard and of a reform in the banking system of the country so as to make it adequate to the demands of trade and commerce, and capable of resisting the strain of commercial disaster which is sure to follow a period of unexampled prosperity in a country developing as we are with enormous rapidity. The first stone in the foundation of the structure of national credit is

the inviolate character of its unit of value, by which all its mercantile transactions are measured, and now is the time to complete the Act of March 14th, 1900. Therefore, your Committee recommend the adoption of the following resolutions :

Resolved, That the members of this Chamber are in favor of the legislation embodied in a bill known as "A Bill to maintain the legal-tender silver dollar at parity with gold, and to increase the subsidiary silver coinage," which bill was introduced in the House of Representatives by the Committee on Coinage, Weights and Measures, on January 13th, 1902.

Resolved, That we are in accord with the majority report as presented by that Committee and accompanying the bill, and heartily endorse the reasons given by them why the bill should be adopted ; and we respectfully urge upon the members of the Senate and House of Representatives in Congress assembled prompt and favorable action upon the same, believing that the commercial interests of the country require such action on their part.

Your Committee also report, that they have carefully considered the proposed joint resolution, "to designate governmental depositories," introduced in the House of Representatives on January 8th, 1902, by Representative SULZER ; also a Bill known as "A Bill to designate governmental depositories for surplus funds of the United States Treasury," introduced by Representative PUGSLEY in the House of Representatives on February 5th, 1902.

Your Committee object to the terms embodied in the joint resolution, in that they believe the capital and surplus of a bank authorized to receive Government deposits should be \$100,000 each instead of \$500,000 each ; that the rate of interest to be paid on deposits should be left to the discretion of the Secretary of the Treasury without limit, and that the limit of deposit in any one bank should be fixed at a per centage of not over 50 per cent.—perhaps less—of the combined capital and surplus ; and that the Bill should further be amended so as to conform to the principles laid down by your Committee in this report.

The Bill introduced by Representative PUGSLEY, in its general terms, while not satisfactory, meets more fully with our approval. We think that the Bill should be drawn with such care as to avoid giving a monopoly of deposits either to the smaller banks scattered

over the country, or to the larger banks located in business centres ; in fact, large discretion should be given to the Secretary of the Treasury, both in his right to limit deposits in any one bank and in the rate of interest to be paid on deposits. These deposits must be so scattered as to avoid risks and ensure prompt response when called for by the Department at Washington. The question of the limit of deposits in any one bank is a serious one. Certainly it should not be greater than 50 per cent.—probably not over 25 per cent. The character of the assets of banks differs materially in different parts of the country, and what would be a safe limit in banks located in large cities might be unsafe elsewhere, and it must be remembered that authority to deposit would create an enormous demand for deposits throughout the country, while a failure to respond promptly to calls from the Treasury Department, or a loss to the Government through failure of a bank, would cast discredit upon the entire system. The rate of interest to be paid should be left discretionary with the Secretary of the Treasury, for the reason that at times the prevailing rates on loans are low in the centres of population, and a fixed rate might lead to a concentration of deposits in the small banks, widely scattered and so located as to make it difficult for the Government to withdraw speedily such sums as might from time to time be needed. It seems to your Committee that the safer plan to follow would be to enlarge the scope of the present law, which permits deposits without limit in national banks, provided that Government bonds are lodged as security for such deposits—for in this case the Government is amply protected—by adding other securities besides Government bonds, which may be deposited as collateral for deposits. Your Committee believe that this can be done under the present law ; but it does not seem just or proper to leave the selection of those securities to the Secretary of the Treasury, and thus subject him to undue pressure at all times to receive such securities as he may not deem to be wise or proper as collateral. It is possible that, in order to treat all banks with equal justice, both large and small, even such deposits might be limited on the basis of capital and surplus of each bank receiving same, but, if limited, it should be upon a generous scale.

The general policy of depositing surplus in the Treasury with the national banks throughout the country, under proper restrictions as to the safety of the deposits, meets with our hearty concurrence. Good money in circulation, sufficient for the needs of the people, is what oils the machinery of trade and conduces to continued pros-

perity. To hold it in large volume in the Treasury of the United States beyond the needs of the Government is to put a stumbling block in the way of business, and at times aid in creating a stringency in the money market which could be otherwise avoided.

Respectfully submitted.

(Signed,)	JOHN HASEN RHOADES,	} Committee on Finance and Currency.
	HENRY W. CANNON,	
	EDWARD H. PERKINS, JR.,	
	AUGUST BELMONT,	
	GEORGE G. WILLIAMS,	}

NEW-YORK, *March 5th*, 1902.

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